



**Carlos Jackson**  
Executive Director

**COMMUNITY DEVELOPMENT COMMISSION**  
**County of Los Angeles**

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**Michael D. Antonovich**  
*Commissioners*

June 8, 2004

Honorable Board of Commissioners  
Community Development Commission  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, California 90012

Dear Commissioners:

**APPROVE RESOLUTION TO ALLOW EMPLOYEES TO PURCHASE ADDITIONAL  
RETIREMENT SERVICE CREDIT ON A PRE-TAX PAYROLL BASIS  
(ALL DISTRICTS)  
(3 Vote)**

**IT IS RECOMMENDED THAT YOUR BOARD:**

Approve the attached Resolution allowing employees of the Community Development Commission to purchase, on a pre-tax payroll deduction basis, up to five years of additional retirement service credit with the California Public Employees' Retirement System (CalPERS).

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:**

The recommended action will allow employees to purchase additional retirement service credit and bring the Commission's defined benefit plan in line with the plans of other public agencies and the County of Los Angeles.

**FISCAL IMPACT/FINANCING:**

There is no impact on the County general fund. There is also no fiscal impact to the Commission, since eligible employees are responsible for paying the full cost of the additional retirement service credit purchase.

**FACTS AND PROVISIONS/LEGAL REQUIREMENTS:**

On June 5, 2001, your Board approved a contract amendment between the Commission and CalPERS to allow eligible members to purchase military service credit as public service, as provided by Government Code Section 21024 of the Public Employees' Retirement Law.

On February 11, 2003, Assembly Bill 719 was introduced to the California State Legislature, proposing a change to the Public Employees' Retirement Law. On October 11, 2003, the Governor approved the change by adding Government Code Section 20909, which allows participating members who have at least five years of credited service to purchase one to five years of additional retirement service credit in the retirement system. Before this legislative change, public employees could only purchase additional retirement service credit related to prior public service recognized for service credit by the public employees' retirement system.

The cost of the purchase is determined by CalPERS. Eligible employees can pay for the additional service credit in a lump sum, or in installments over a period of up to 15 years. In addition, eligible employees may use rollover funds from other tax-qualified retirement plans to pay for the purchase. Although Board approval is not required to implement Government Code Section 20909, CalPERS requires a resolution from your Board before employees can purchase additional service credit on a pre-tax payroll deduction basis.

On December 16, 2003, the Board approved a resolution to allow additional service credit purchase by County employees on a pre-tax payroll deduction basis, effective February 1, 2004.

The Chief Administrative Office has reviewed this letter and County Counsel has approved the Resolution as to form.

**IMPACT ON CURRENT PROGRAM:**

The recommended action will bring the Commission's defined benefit plan in line with plans of other public agencies and allows eligible employees to fully realize the benefit of additional retirement service credit when purchased on a pre-tax basis.

Respectfully submitted,

CARLOS JACKSON  
Executive Director

Attachment: 1

**EMPLOYER PICKUP RESOLUTION  
PRE-TAX PAYROLL DEDUCTION PLAN  
FOR SERVICE CREDIT PURCHASES  
(CONTRIBUTION CODE 14)**

WHEREAS, the Board of Administration of the California Public Employees' Retirement System (CalPERS) at the April 1996 meeting approved a pre-tax payroll deduction plan for service credit purchases under Internal Revenue Code (IRC) section 414(h)(2); and

WHEREAS, the Community Development Commission of the County of Los Angeles has the authority to implement the provisions of IRC section 414(h)(2) and has determined that even though implementation is not required by law, the tax benefit offered by this section should be provided to those employees who are members of CalPERS; and

WHEREAS, the Community Development Commission of the County of Los Angeles elects to participate in the pre-tax payroll deduction plan for all employees in the following CalPERS coverage group:

All Miscellaneous Member Coverage Groups

NOW, THEREFORE, THE BOARD OF COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION RESOLVES AS FOLLOWS:

- I. That the Community Development Commission of the County of Los Angeles will implement the provisions of IRC section 414(h)(2) by making employee contributions for service credit purchases pursuant to the California State Government Code on behalf of its employees who are members of CalPERS and who have made a binding irrevocable election to participate in the pre-tax payroll deduction plan. "Employee contributions" shall mean those contributions reported to CalPERS which are deducted from the salary of employees and are credited to individual employee accounts for service credit purchases, thereby resulting in tax deferral of employee contributions.
- II. That the contributions made by the Community Development Commission of the County of Los Angeles to CalPERS, although designated as employee contributions, are being paid by the Community Development Commission of the County of Los Angeles in lieu of contributions by the employees who are members of CalPERS.
- III. That the employee shall not have the option of choosing to receive the contributed amounts directly instead of having them paid by the Community Development Commission of the County of Los Angeles to CalPERS.
- IV. That the Community Development Commission of the County of Los Angeles shall pay to CalPERS the contributions designated as employee contributions from the same source of funds as used in paying salary, thereby resulting in tax deferral of employee contributions.

- V. That the effective date for commencement of the pre-tax payroll deduction plan cannot be any earlier than July 1, 1996, or the date the completed resolution is received and approved in CalPERS, whichever is later.
- VI. That the governing body of the Community Development Commission of the County of Los Angeles shall participate in and adhere to requirements and restrictions of the pre-tax payroll deduction plan by reporting pre-tax payroll deductions when authorized by CalPERS for those employees of the above stated Coverage Group who have elected to participate in this plan.

**ADOPTED** by the Board of Commissioners of the Community Development Commission of the County of Los Angeles on this \_\_\_\_\_ day of \_\_\_\_\_, 2004.